

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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May 25, 2001

Mr. Steven Gentzler, CFO
Connelly Management, Inc.
410 Mill Street, Suite 201
Mount Pleasant, South Carolina 29464-4396

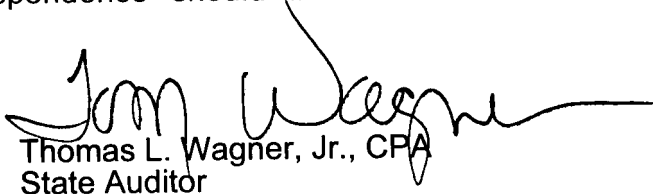
Re: AC# 3-DUN-J8 – Dundee Nursing Home, Inc.

Dear Mr. Gentzler:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

DUNDEE NURSING HOME, INC.
BENNETTSVILLE, SOUTH CAROLINA

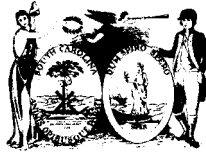
CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-DUN-J8

REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 4, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Dundee Nursing Home, Inc., for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

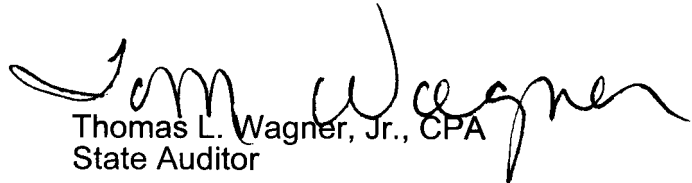
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Dundee Nursing Home, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Dundee Nursing Home, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 4, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

DUNDEE NURSING HOME, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-DUN-J8

Interim reimbursement rate (1)	\$88.04
Adjusted reimbursement rate	<u>87.36</u>
Decrease in reimbursement rate	<u>\$.68</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

DUNDEE NURSING HOME, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 1999
AC# 3-DUN-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.95	\$47.33	
Dietary		9.74	9.69	
Laundry/Housekeeping/Maint.		<u>7.80</u>	<u>8.24</u>	
Subtotal	<u>\$4.57</u>	58.49	65.26	\$58.49
Administration & Med. Rec.	<u>\$3.35</u>	<u>8.21</u>	<u>11.56</u>	<u>8.21</u>
Subtotal		66.70	<u>\$76.82</u>	66.70
<u>Costs Not Subject to Standards:</u>				
Utilities		2.07		2.07
Special Services		.05		.05
Medical Supplies & Oxygen		4.57		4.57
Taxes and Insurance		1.48		1.48
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$74.88</u>		74.88
Inflation Factor (3.00%)				2.25
Cost of Capital				7.08
Cost of Capital Limitation				(.41)
Profit Incentive (Max. 3.5% of Allowable Cost)				2.62
Cost Incentive				4.57
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.44)
CNA Add-On				.75
Nurse Aide Staffing Add-on				<u>1.06</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$87.36</u>

DUNDEE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-DUN-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,616,020	\$ -	\$21,354 (1)	\$1,594,666
Dietary	379,218	-	-	379,218
Laundry	36,094	-	-	36,094
Housekeeping	145,482	-	-	145,482
Maintenance	123,586	-	1,271 (3)	122,315
Administration & Medical Records	319,737	-	-	319,737
Utilities	80,645	-	-	80,645
Special Services	1,809	-	-	1,809
Medical Supplies & Oxygen	162,561	21,354 (1)	5,785 (2)	178,130
Taxes and Insurance	57,654	-	-	57,654
Legal Fees	389	-	-	389
Cost of Capital	<u>279,297</u>	<u>2,068</u> (5)	<u>5,681</u> (4)	<u>275,684</u>
Subtotal	3,202,492	23,422	34,091	3,191,823
Ancillary	57,019	-	-	57,019

DUNDEE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-DUN-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	290,889	5,785 (2) <u>1,271 (3)</u>	2,068 (5)	295,877
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	\$ <u>3,550,400</u>	\$ <u>30,478</u>	\$ <u>36,159</u>	\$ <u>3,544,719</u>
Total Patient Days	<u>38,946</u>	<u>-</u>	<u>-</u>	<u>38,946</u>
Total Beds	<u>110</u>			

DUNDEE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-DUN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Medical Supplies Nursing	\$21,354	\$21,354
	To reclassify expense to the proper cost center per provider's amended cost report State Plan, Attachment 4.19D		
2	Nonallowable Medical Supplies	5,785	5,785
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
3	Nonallowable Maintenance	1,271	1,271
	To remove expense recorded twice State Plan, Attachment 4.19D		
4	Fixed Assets	3,965	
	Other Equity	4,599	
	Accumulated Depreciation		2,883
	Cost of Capital		5,681
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
5	Cost of Capital Nonallowable	2,068	2,068
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$39,042</u>	<u>\$39,042</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

DUNDEE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-DUN-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>110</u>
Deemed Asset Value	3,864,300
Improvements Since 1981	555,959
Accumulated Depreciation at 9/30/98	<u>(907,885)</u>
Deemed Depreciated Value	3,512,374
Market Rate of Return	<u>.063</u>
Total Annual Return	221,280
Return Applicable to Non-Reimbursable Cost Centers	(835)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>64</u>
Allowable Annual Return	220,509
Depreciation Expense	61,384
Amortization Expense	1,687
Capital Related Income Offsets	(7,576)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(320)</u>
Allowable Cost of Capital Expense	275,684
Total Patient Days (Minimum 97% Occupancy)	<u>38,946</u>
Cost of Capital Per Diem	\$ <u><u>7.08</u></u>

DUNDEE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-DUN-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$2.68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.67</u>
Reimbursable Cost of Capital Per Diem	\$6.67
Cost of Capital Per Diem	<u>7.08</u>
Cost of Capital Per Diem Limitation	<u>\$(.41)</u>

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